

2008 Form 990 Tips and FAQs

Public Support and Public Charity Classification (Schedule A)

November 2009

1. Who must file Schedule A?

An organization that files [Form 990](#) or [Form 990-EZ](#) must file [Schedule A](#) if it is described in section 501(c)(3) (including organizations described in sections 501(e), (f), (k), or (n) that are treated as described in section 501(c)(3)) or section 4947(a)(1)).

2. What is the purpose of Schedule A?

[Schedule A](#) requires certain information regarding the organization's public charity status. Part I is required to be filled out by all public charities. Parts II and III require public support information for public charities whose status depends on their amount of public support (organizations described in sections 170(b)(1)(A)(iv), 170(b)(1)(A)(vi), and 509(a)(2)).

3. Should Schedule A be filled out before other parts and schedules of Form 990 or 990-EZ?

Yes, [Schedule A](#) should be completed by tax-exempt organizations whose public charity status depends on their amount of public support, or whose public charity status is otherwise in doubt. Section 501(c)(3) organizations and section 4947(a)(1) trusts that do not qualify as public charities are treated as private foundations and must file [Form 990-PF](#) rather than [Form 990](#) or [Form 990-EZ](#). Therefore, filling out Schedule A to ascertain public charity status for the year of the return is advisable before filling out other parts of Form 990 or Form 990-EZ.

4. How does the 2008 Schedule A differ from the 2007 version?

Questions in the 2007 [Schedule A](#) that did not relate to public charity status were moved to other parts and schedules of the 2008 form. For instance, the lobbying questions from the 2007 Schedule A were moved to [Schedule C](#); the private school questionnaire was moved to [Schedule E](#); questions on transactions with noncharitable exempt organizations were moved to [Schedule R](#); and independent contractor compensation reporting was moved to Part VII, Section B, [Form 990](#). The 2008 [Schedule A](#) also takes into account changes in the public support test regulations.

5. What is the public support test for a public charity?

There are two public support tests for public charities: one for organizations described in sections 509(a)(1) and 170(b)(1)(A)(vi), and one for organizations described in section 509(a)(2). Both tests measure public support over a five-year period.

Generally, the 509(a)(1) test requires that the organization either receive at least one-third of its support from contributions from the general public or meet the 10 percent [facts and circumstances test](#) (see [Q&A 14](#), below).

Generally, the 509(a)(2) test requires that the organization receive more than one-third of its support from contributions from the general public and/or from gross receipts from activities related to its tax-exempt purposes. Under the 509(a)(2) test, an organization can receive no

more than one-third of its support from gross investment income and unrelated business taxable income.

More details on the public support tests under sections 170(b)(1)(A)(vi) and 509(a)(2) are set forth in the [instructions](#) to Form 990, Schedule A.

6. What changes were made to the public support test regulations?

Key changes to the public support test regulations include the following:

(1) The advance ruling process was eliminated. An organization that establishes in its [Form 1023](#) application that it can reasonably be expected to be publicly supported is a public charity for its first five years for all purposes, including the section 4940 tax, regardless of its actual support during that period. See the [Elimination of the Advance Ruling Process](#) for more details.

(2) The period used for determining whether an organization “normally” is publicly supported was extended from four years to five, including the tax year in question. Thus, the public support tables in Parts II and III of the [2008 Schedule A](#) require support for the years 2004-2008.

(3) The cash method of accounting is no longer required in determining public support. Instead, the organization must use its regular method of accounting that it checked on [Form 990](#), Part XI, line 1, or [Form 990-EZ](#), line G, whether cash or accrual. For accrual method taxpayers, amounts of support reported on the [2007 Schedule A](#) for 2006 and prior years must be recalculated under the accrual method for the 2008 return.

7. My organization, a public charity described in section 170(b)(1)(A)(vi), is within the first five years of its existence and files Form 990 or 990-EZ. Is it required to fill out Schedule A Part II?

Yes, a new public charity described in section 170(b)(1)(A)(vi) is required to fill out Section A and Section B of Part II but not Section C. Likewise, a new public charity within the first five years of its existence that is described in section 509(a)(2) must fill out Part III, Sections A and B, but not Section C.

8. Is a public charity that files the Form 990-N (e-Postcard) required to file Schedule A? What if the organization becomes no longer publicly supported?

A public charity that qualifies to file, and files, [Form 990-N](#) is not required to file [Schedule A](#) (or any other part or schedule of [Form 990](#) or [990-EZ](#)) but should monitor its public support if its public charity status depends on public support. If the organization no longer qualifies as a public charity, it must file [Form 990-PF](#) for the first year that it no longer qualifies.

9. If an organization qualifies as publicly supported for a five-year computation period, does it have any reliance on that status in the following year?

Yes, an organization that meets a public support test for a tax year is treated as publicly supported for that year and the succeeding year, regardless of its actual support for the succeeding year. For example, an organization that meets the public support test for the aggregate five-year period 2004-2008 is publicly supported for the years 2008 and 2009, even if the organization fails the public support test for the years 2005-2009. In such case, beginning

with the year 2010, its public charity status for 2010 would depend on whether it qualifies as publicly supported for the period 2006-2010. Thus, public charities should monitor their public support carefully.

10. If an organization is considered as publicly supported for its first five years regardless of its actual support during that period, is its support during that period used in determining whether it is publicly supported in its sixth and subsequent years?

Yes. The organization's actual support in its first five years is used in calculating its public support in years after the first five. For instance, if it does not actually meet the public support test for years 1-5, then it must meet the public support test for years 2-6 to qualify as publicly supported in year 6.

11. My organization's 2007 Schedule A showed that it met the public support test for the period 2003-2006, and therefore qualified as publicly supported for the years 2007 and 2008 under the old public support test regulations. However, the organization does not qualify as publicly supported for the five year periods 2003-2007 or 2004-2008 under the new regulations. Is it entitled to any transitional relief?

Yes. An organization that cannot meet a public support test for its first tax year beginning on or after January 1, 2008, using the five-year computation period will continue to qualify as a public charity for its 2008 tax year if it satisfied a public support test for its 2007 tax year, based on public support received over the four-year period 2003 through 2006. However, the organization will not be treated as a publicly supported for its 2009 tax year unless it satisfies the public support test over the five-year period from 2004-2008 or the five-year period from 2005 – 2009 (see [Q&A 9](#), above).

12. My determination letter from the IRS states that my organization is a public charity under sections 509(a)(1) and 170(b)(1)(A)(vi). However, my organization is no longer able to meet the public support test under those sections on Part II of Schedule A. Can my organization attempt to qualify as a public charity under section 509(a)(2) instead by calculating its public support on Part III of the Schedule A?

Yes. Parts II and III of [Schedule A](#) provide the computation area to establish that your organization meets a public support test and is not a private foundation pursuant to either sections 509(a)(1) and 170(b)(1)(A)(vi) or section 509(a)(2). Regardless of the public support section specified in your original determination letter, your organization may choose the public support test that best reflects your sources of support and that results in your retaining your public charity status. In particular, if your organization receives a large amount of gross receipts from fundraising activities, you should consider filing as a section 509(a)(2) organization.

13. My organization receives much of its income from an annual sale of gift wrap paper and an annual book fair. Both events are conducted entirely with volunteer labor. How should I report this fundraising income when calculating whether my organization meets a public support test?

The public support test under section 509(a)(2) of the Internal Revenue Code includes as public support the gross receipts from sales of merchandise that are not an unrelated trade or business, such as sales conducted entirely with volunteer labor like the ones you

describe. Organizations that receive gross receipts from such events should add those receipts to Line 3 of [Schedule A](#), Part III, if they complete Part III.

- 14. My organization is a public charity under sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code, and it received 15 percent of its support from the general public. Because my organization received less than 33 1/3 percent of its support from the general public, how do I show the IRS on the Schedule A that my organization meets the facts and circumstances test?**

If your organization receives more than 10 percent, but less than 33 1/3 percent, of its support from the general public or a governmental unit, your organization may attempt to qualify as a public charity if it can establish that, under all the facts and circumstances, it normally receives a substantial part of its support from governmental units or the general public. To establish this support, your organization should provide on Part IV of the [Schedule A](#), a description of the facts and circumstances which establish that your organization is in the nature of an organization that is publicly supported. Regulations section 1.170A-9T(f)(3) discusses pertinent facts and circumstances.

- 15. In 2009, a donor made a pledge to my organization that will be paid in 2009, 2010, and 2011. Should I discount the total pledge to its present value and report this amount as support in 2009 since that is when we received the pledge?**

An organization's public support calculation on Parts II and III of the [Schedule A](#) (Forms 990 or 990-EZ) should be computed under the same method of accounting that the organization checked on the [Form 990](#), Part XI, line 1, or [Form 990-EZ](#), line G. If your organization uses the accrual method of accounting, then your organization may discount the pledge to its present value and report this amount in 2009, and report accruals of the present value increments to the unpaid pledge in 2010 and 2011. If your organization uses the cash method of accounting, you may only report the amount of the pledge you actually receive during each of the three years.

- 16. May we report the value of volunteer time as contributions in the public support table?**

No, volunteer time cannot be reported as contributions in line 1 of Parts II or III of [Schedule A](#). It may be described in [Form 990](#), Part III, *Statement of Program Service Accomplishments*.

- 17. Should we report in-kind contributions of property as contributions in the public support table? If so, how should these contributions be valued?**

In-kind contributions of property (but not of services) should be reported on line 1 of Parts II and III of [Schedule A](#), and also on [Form 990](#), Part VIII line 1g; in [Schedule B](#), Part II; and in [Schedule M](#), column (c) if applicable. Form 990 filers generally may use any reasonable method to determine or estimate the value of these non-cash contributions. Schedule B sets forth special instructions for valuing marketable securities. Schedule M requires reporting of the method for determining revenue attributable to different categories of non-cash contributions.

- 18. If my organization qualifies as a hospital for Schedule A purposes and thus as a public charity, is it required to file Schedule H?**

Not necessarily. The definition of a hospital for [Schedule H](#) purposes is different than the definition of a hospital for Schedule A purposes. Schedule H must be filed by an organization

that operates at least one facility that is, or is required to be, licensed, registered, or similarly recognized by a state as a hospital. A hospital for [Schedule A](#) purposes is, generally, an organization whose main purpose is to provide hospital or medical care, but it does not have to be licensed, registered, or similarly recognized by a state as a hospital. See Code sections 509(a)(1) and 170(b)(1)(A)(iii) and Regulations section 1.170A-9(d).

19. Supporting organizations described in Code section 509(a)(3) are required to answer a number of questions in Schedule A, Part I, line 11. Does the organization's answer to any of these questions affect its qualification as a supporting organization under section 509(a)(3)?

Yes. Section 509(a)(3) supporting organizations are subject to a number of rules affecting their status. The rules vary somewhat depending on their Type. The organization's answer to one or more of these questions on line 11 may indicate that it does not qualify under as a supporting organization under section 509(a)(3) and instead must file [Form 990-PF](#) as a private foundation. The questions in [Schedule A](#), Part I, line 11 ask about the organization's compliance with the following rules:

- A section 509(a)(3) organization must have a Type I, Type II, Type III-functionally integrated, or Type III-other relationship with its supported organizations as defined in section 509(f)(3) (Schedule A, Part I, lines 11a-d).
- A section 509(a)(3) organization cannot be controlled by one or more disqualified persons (line 11e).
- A Type I or Type III organization cannot accept a gift or contribution from a person who controls the governing body of a supported organization, or from certain related persons (line 11g).
- A section 509(a)(3) organization must support one or more supported organizations (line 11h(i)-(iii)).
- A Type III organization generally must list its supported organizations by name in its governing document (line 11h(iv)).
- A Type III organization may not have a foreign supported organization (line 11h(vi)).

20. Should non-monetary support be reported in Part I, line 11h(vii) of Schedule A?

No. Non-monetary support should not be reported in Part I, line 11h(vii). Instead, non-monetary support provided to supported organizations should be reported in [Schedule A](#), Part IV.

21. My organization is a 509(a)(3) supporting organization that made grants to multiple supported organizations during the tax year. Do we need to list every one of those supported organizations by name and EIN in Schedule A, Part I, line 11h, or can we just describe those organizations by class?

Each supported organization must be listed by name and EIN in the table for Part I, line 11h, [Schedule A](#), and the amount of support given to each during the filing organization's tax year

must be reported in Part I, line 11h, column (vii), Schedule A. All supported organizations are by definition also related organizations and must be reported in [Schedule R](#) as well.